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Honorable David Edward Spenard  
Assistant Attorney General  
Office of the Attorney General Utility & Rate Intervention Division  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

March 22, 2006

RE: Case No. 2005-00477

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/jc  
Enclosure

Honorable David Edward Spenard  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

Mr. Otis Williams  
President  
West Laurel Water Association, Inc.  
1670 Daniel Boone Parkway, East  
P. O. Box 726  
London, KY 40741

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WEST LAUREL	)	
WATER ASSOCIATION, INC. FOR APPROVAL	)	CASE NO.
OF A PROPOSED INCREASE IN RATES FOR	)	2005-00477
WATER SERVICE	)	

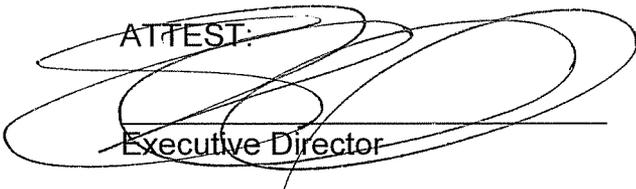
ORDER

On December 13, 2005, West Laurel Water Association, Inc. ("West Laurel") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of West Laurel's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 22nd day of March, 2006.

ATTEST:

  
Executive Director

By the Commission

STAFF REPORT  
ON  
WEST LAUREL WATER ASSOCIATION, INC.  
CASE NO. 2005-00477

On December 13, 2005, West Laurel Water Association, Inc. ("West Laurel") filed an application to adjust its general rates for water service. In its application West Laurel states that its total revenue requirement is \$1,875,048 and that current rates produce a revenue requirement deficiency of \$623,061. West Laurel performed a cost of service study to determine the rates necessary and appropriate to meet its revenue requirement and requests that those rates be approved by the Commission. West Laurel's proposed rates will result in a \$35.18 monthly bill for a residential customer using 5,000 gallons of water. This represents a 48.75 percent increase over the current charge at present rates for the same usage of \$23.65.

To establish the basis for its application, West Laurel selected the calendar year ended December 31, 2003, as its test year. West Laurel proposed pro forma adjustments to its test year operations. West Laurel's adjusted operating statement detailing test year operations and its adjustments thereto are shown in this report at Attachment A.

To review West Laurel's application, Staff conducted a field review to gather information concerning West Laurel's test year operating results and pro forma adjustments. The scope of Staff's review was limited to obtaining information as to whether test period operating revenues and expenses were representative of normal operations. All pro forma adjustments to test year operations are required to be known

and measurable pursuant to 807 KAR 5:001 Section 10 (7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

This report summarizes Staff's review and recommendations. Scott Lawless is responsible for the revenue requirement determination while Eddie Beavers determined pro forma revenues and developed the rates recommended by Staff.

At the time of West Laurel's application filing date its operating results for the calendar year ended 2004 had been published and filed with the Commission. During its review Staff decided that this reporting period would provide a better representation of West Laurel's operations since it is more current than the test year used by West Laurel. Staff recommends that the Commission use the calendar year ended 2004 as the test year in this case and has used 2004 as the test year in this report

Attachment B of this report details West Laurel's test year adjusted operating statement as determined by Staff. Attachment B also includes explanations of Staff's pro forma adjustments to test year operations as well as comments concerning the adjustments proposed by West Laurel as shown in Attachment A.

Attachment C of this report details a comparison of West Laurel's annual revenue requirements as requested by West Laurel and recommended by Staff. As shown at Attachment C, Staff determined West Laurel's revenue requirement from rates to be \$1,806,230 using a 20 percent debt coverage for all annual long-term debt payments. Staff recommends that the Commission approve rates for West Laurel so as to increase revenues from rates by \$582,727.

Staff prepared a cost of service study to determine the appropriate rate structure for West Laurel to generate the revenue requirement recommended by Staff. The study

is shown in this report at Attachment D. Staff's recommended rates are shown in Attachment D at Page 15. Pursuant to these rates the monthly bill for a residential customer using 5,000 gallons will increase to 34.30, a 45 percent increase over the current charge of \$23.65 for the same usage.

West Laurel has no employee's. Its operations are performed entirely by Wood Creek Water District ("Wood Creek") through an operation and maintenance contract. Wood Creek also operates and maintains the water system of East Laurel Water District ("East Laurel") through a separate contract agreement. Wood Creek, West Laurel, and East Laurel are all operated from the office of Wood Creek using Wood Creek's employees. There is no profit realized by Wood Creek through the execution of these operating agreements. All services are billed on a cost basis.

Wood Creek bills West Laurel and East Laurel monthly for services provided. Field operating costs including payroll, transportation, equipment, and materials and supplies are tracked and directly assigned to each entity through a work order system. Through this system Wood Creek processes approximately 1,200 work orders annually for each East Laurel and West Laurel. Office expenses are allocated based on the number of customers served by each entity.

Through passage of Kentucky Revised Statute 74.361 the General Assembly of the Commonwealth determined that reduction of the number of water districts through merger is in the public interest because it will tend to eliminate wasteful duplication of costs and efforts, resulting in a more sound and businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to

the general public. The General Assembly states that public policy favors the merger of water districts wherever feasible.

The fact that West Laurel is an association, and not a district, does not preclude it from merger with the other districts (See KRS 74.361 (9)). The same cost savings and principals of economics referred to by the General Assemble apply to both districts and associations.

The merger of these systems would result in eliminating three water entities of the same approximate size serving about 4,800 customers each and establishing a newly formed single entity with approximately 14,400 customers and thus create greater economies of scale and financial stability.

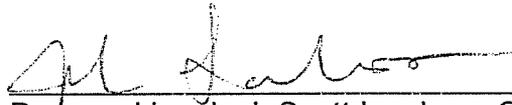
Savings to the customer of these entities would be realized immediately upon merger. Merger of the systems would eliminate the processing of approximately 2,400 work orders where Wood Creek bills East Laurel and West Laurel for services provided. This work order process places a tremendous administrative burden on the employees of Wood Creek. There would also be immediate savings realized from eliminating the accounting, record keeping, and reporting requirements of two entities as well as eliminating the cost of maintaining two managing boards. There would be many other areas of savings as the merged entity operated and efficiencies developed over time.

The merger transition for the employees and customers of these entities would be seamless. The employees of Wood Creek already operate East Laurel and West Laurel and have an intimate knowledge of their histories and operating systems. The customers would see no change in service. All three entities are already interconnected by transmission and distribution mains and water served to all customers originates

from Wood Creek's treatment plant. The office building and address where all customers currently pay their bill and go for customer account information and assistance would not change.

Staff recommends that the Commission order the Boards of these entities to engage in discussion regarding merger of these systems and prepare and submit to the Commission a comprehensive report stating separately whether they are in favor or opposed to merger and the reasons therefore. Staff would provide assistance or guidance to these parties on this matter if requested.

Signatures



Prepared by: Jack Scott Lawless, CPA  
Public Utility Financial Analyst  
Water and Sewer Revenue  
Requirements Branch  
Division of Financial Analysis



Prepared by: Eddie Beavers  
Public Utility Rate Analyst  
Communications, Water and Sewer  
Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
 STAFF REPORT CASE NO. 2005-00477  
 WEST LAUREL'S PROPOSED ADJUSTED OPERATING STATEMENT

	Test Year	Adjustments	Pro forma
Operating Revenue			
Sales of Water	\$ 1,157,829	\$ 28,759	\$ 1,186,588
Other Water Revenues	50,655		50,655
<b>Total Operating Revenue</b>	<b>1,208,484</b>	<b>28,759</b>	<b>1,237,243</b>
Operating Expenses			
Operation and Maintenance			
Purchased Water	446,071	395,108	841,179
Purchased Power	8,159		8,159
Materials and Supplies	181,278		181,278
Contractual Services	401,566		401,566
Contractual Services, Accounting/Legal	11,550		11,550
Contractual Services, Engineering	910		910
Commissioner Fees	13,500		13,500
Insurance General Liability	10,395		10,395
Bad Debt	7,341		7,341
Miscellaneous	855		855
<b>Total Operation and Maintenance</b>	<b>1,081,625</b>	<b>395,108</b>	<b>1,476,733</b>
Depreciation	140,292		140,292
Amortization	-		-
Taxes Other Than Income	2,331		2,331
<b>Total Operating Expenses</b>	<b>1,224,248</b>	<b>395,108</b>	<b>1,619,356</b>
Net Operating Income	(15,764)	(366,349)	(382,113)
Plus: Interest Income	14,744		14,744
<b>Income Available to Service Debt</b>	<b>\$ (1,020)</b>	<b>\$ (366,349)</b>	<b>\$ (367,369)</b>

ATTACHMENT B  
STAFF REPORT CASE NO. 2005-00477  
STAFF'S RECOMMENDED ADJUSTED OPERATING STATEMENT

	Test Year	Adjustments	Ref.	Pro forma
Operating Revenue				
Sales of Water	\$ 1,211,834	\$ 11,669	(A)	\$ 1,223,503
Other Water Revenues	52,040			52,040
<b>Total Operating Revenue</b>	<b>1,263,874</b>	<b>11,669</b>		<b>1,275,543</b>
Operating Expenses				
Operation and Maintenance				
Purchased Water	436,189	379,906	(B)	816,095
Purchased Power	12,293			12,293
Materials and Supplies	180,009			180,009
Contractual Services, Engineering	1,555			1,555
Contractual Services, Accounting	10,541			10,541
Contractual Services, Legal	485			485
Contractual Services, Management Fees	390,673			390,673
Insurance General Liability	9,734			9,734
Insurance Other	2,761			2,761
Bad Debt	8,895			8,895
Miscellaneous	14,743			14,743
Total Operation and Maintenance	1,067,878	379,906		1,447,784
Depreciation	167,814			167,814
Amortization	-			-
Taxes Other Than Income	1,406			1,406
<b>Total Operating Expenses</b>	<b>1,237,098</b>	<b>379,906</b>		<b>1,617,004</b>
Net Operating Income	26,776	(368,237)		(341,461)
Plus: Interest Income	15,741			15,741
<b>Income Available to Service Debt</b>	<b>\$ 42,517</b>	<b>\$ (368,237)</b>		<b>\$ (325,720)</b>

(A) Water Sales. West Laurel reported water sales for 2003 and 2004 in the amounts of \$1,157,829 and \$1,211,834, respectively. West Laurel proposed to increase the 2003 amount by \$28,759 to state pro forma water sales at the amount calculated using its billing analysis for 2003. Staff recommends West Laurel's proposed adjustment be denied and the Commission instead increase 2004 water sales by

\$11,669 to state pro forma water sales at the amount calculated in Staff's billing analysis for 2004 gallons sold.

(B) Purchased Water. West Laurel purchases all its water for resale from Wood Creek. During 2003 and 2004 Wood Creek's wholesale rate was \$1.24. On November 30, 2005, in Case Number 2005-00453 Wood Creek was granted authority by the Commission to increase this rate to \$2.32. As a result West Laurel has requested that 2003 expenses be increased by \$395,108 to calculate pro forma operating expenses. Staff recommends the Commission deny this adjustment and instead increase 2004 expenses by \$379,906 as calculated below.

Thousand gallons purchased in 2004	351,765.20
Times: New rate per thousand	<u>\$2.32</u>
Pro forma	816,095
Less: Test year	<u>(436,189)</u>
Increase	<u>\$379,906</u>

ATTACHMENT C  
 STAFF REPORT CASE NO. 2005-00477  
 COMPARISON OF WEST LAUREL'S REQUESTED AND STAFF'S  
 RECOMMENDED REVENUE REQUIREMENTS

	Requested By West Laurel	Calculated By Staff	Difference
Operating Expenses	\$ 1,619,356	\$ 1,617,004	\$ (2,352)
Annual Debt Service	213,077	214,172	1,095
Debt Service Coverage	42,615	42,834	219
<hr/>			
Total Revenue Requirement	1,875,048	1,874,011	(1,038)
Less: Other Operating Revenue	(50,655)	(52,040)	(1,385)
Interest Income	(14,744)	(15,741)	(997)
<hr/>			
Revenue Required from Rates	1,809,649	1,806,230	(3,420)
Less: Pro forma Revenues at Present Rates	(1,186,588)	(1,223,503)	(36,915)
<hr/>			
Revenue Increase	\$ 623,061	\$ 582,727	\$ (40,335)

ATTACHMENT D  
STAFF REPORT 2005-00477  
STAFF'S COST OF SERVICE STUDY

Wholesale Allocation Factors: Staff has accepted the inch diameter mile method as filed by West Laurel.

Cost of Service Study:

Rates: Staff's review established the total revenue required for West Laurel is \$1,874,011, \$52,040 is obtained through other operating revenue and \$15,741 is obtained through interest income. Staff developed rates that will collect the remaining \$1,806,230 from the company's retail and wholesale customers. The utility's expenses were analyzed and allocated according to three different classifications: Pumping and Treatment, Transmission and Distribution, and Customer.

Pumping and Treatment costs are those directly associated with the cost of water. Transmission and Distribution costs are those associated with providing the facilities to meet the peak demands placed on the system. Customer costs are those incurred to serve customers regardless to the varying usage.

The Allocation of Expenses sheet of the following cost of service study shows the allocation of Operation and Maintenance expenses to the functional cost components, Commission Staff utilized information obtained through the utility's application and field reviews to allocate these costs. Administrative and general expenses are allocated to the cost components based on the subtotal allocated percentages.

The Wholesale Rate sheet of the following Cost of Service Study allocates the Operation and Maintenance expenses to the wholesale customer. Staff accepted West Laurel's method of allocating costs to transmission and distribution and to purchased

power and purchased water proportionate to the wholesale customer. [See note on Wholesale Rate sheet]

Additionally, applying the inch diameter mile allocation factors to the various cost components; Staff has calculated the Wholesale Rate for West Laurel as \$3.62. The Wholesale Rate has been adjusted to offset errors caused by rounding.

The Allocation of Retail Costs sheet of the attached Cost of Service Study allocates the remaining portion of the Revenue Requirement from Rates to the retail customer in the functional cost components of Commodity, Demand and Customer. The allocation process results in \$793,164 in commodity costs, \$669,742 in demand costs and \$303,402 in customer costs. Commodity costs are allocated across the rate steps in accordance with usage percentages. Total demand costs are allocated across the rate steps in accordance with usage that has been adjusted to reflect the higher peak demands that occur in the lower rate steps. Total customer costs are all collected in the first rate step, or minimum bill, since those costs do not differ with varying usage.

The total for the first rate step is \$611,657 which is divided by the number of bills issued on an annual bases which calculates to a minimum bill of \$10.95 for the first 2,000 gallons. The totals for the remaining rate steps are each divided by the actual water usage for each rate step to calculate the remainder of the rates. The rates being recommended by staff have been adjusted from the Cost of Service Study rates to reduce the impact of the increase to the larger users.

ALLOCATION OF PLANT VALUE

	Total	Commodity	Demand	Customer
Structures and Improvements	\$16,899		\$16,899	
Land and Land Rights	67,217		67,217	
Pumping Equipment	28,716		28,716	
Dist. Reservoirs and Standpipes	1,209,634		1,209,634	
Transmission and Distribution Mains	4,915,211		4,915,211	
Meters and Services	1,214,152			\$1,214,152
Hydrants	43,447			43,447
Subtotal	\$7,495,276		- \$6,237,677	\$1,257,599
Percentage			0.8322	0.1678
Organization	7,677		6,389	1,288
Communications Equipment	10,036		8,352	1,684
Total	\$7,512,989	\$	- \$6,252,418	\$1,260,571
Percentage			0.8322	0.1678

## ALLOCATION OF DEPRECIATION

	Total	Commodity	Demand	Customer
Structures and Improvements	\$4,726		\$4,726	
Pumping Equipment	21,628		21,628	
Dist. Reservoirs and Standpipes	166,999		166,999	
Transmission and Distribution Mains	1,277,968		1,277,968	
Meters	339,149			339,149
Services	318,639		318,639	
Hydrants	19,986			19,986
Subtotal	\$2,149,095		\$1,789,960	\$359,135
Percentage			0.8329	0.1671
Organization	6,143		5,116	1,027
Other Plant	1,652		1,376	276
Total	\$2,156,890		\$1,796,452	\$360,438
Percentage			0.8329	0.1671

WATER PURCHASED AND SOLD

Total Purchased	351,765,000	
Fire Department and Sewer	2,700,000	0.0077
System Use	26,937,000	0.0766
Line Loss	49,999,000	0.1421
Retail Sales	260,443,000	0.7404
Wholesale Sales	11,686,000	0.0332
Total	351,765,000	1.00

### INCH MILE RATIO

Size	Total System			Jointly Used		
	Feet	Miles	Inch Miles	Feet	Miles	Inch Miles
12	52,874	10.01	120.17	40,585	7.69	92.24
10	18,667	3.54	35.35	14,768	2.80	27.97
8	31,950	6.05	48.41	24,404	4.62	36.98
6	23,435	4.44	26.63	13,358	2.53	15.18
4	38,950	7.38	29.51			
3	106,665	20.20	60.61			
2	39,731	7.52	15.05			
	312,272	59.14	335.72	93,115	17.64	172.36
Inch Mile Ratio		0.5134				

## ALLOCATION FACTORS

### West Laurel Water Production Factor

Plant Use and Line Loss and Other	0.2264			
	1			
Water Production Factor	1 - .2264			1.292641
Jointly Used Pipe / Total Pipe	172.36	/	335.72	0.5134

### Wholesale Water Production Factor

Plant and System Use + Line Loss x Jointly Used Lines	0.2187	X	0.5134	0.1123
	1			
Wholesale Water Production Factor	1 - .1123			1.126494
	1.1265 * 11,686,000			
Wholesale Production Allocation Factor	1.3795 * 274,829,000			0.0425
	11,686,000			
Transmission Factor	274,829,000	X	0.5134	0.0218
	11,686,000			
Commodity Factor	274,829,000			0.0425

ALLOCATION OF EXPENSES

Expenses		Commodity	Demand	Customer
Purchased Water	\$816,095	\$816,095		
Purchased Power	12,293	12,293		
Materials and Supplies	174,513		\$7,092	\$167,421
Management Fees	282,630		230,761	51,869
Bad Debt Expense	8,895			8,895
Engineering	1,555		1,555	
Insurance	12,495		12,495	
Subtotal	\$1,308,476	\$828,388	\$251,903	\$228,185
Percentage - Less Commodity			0.5247	0.4753
Administrative and General				
Materials and Supplies	5,496		2,884	2,612
Contractual Services – Legal	485		254	231
Contractual Services - Acct.	10,541		5,531	5,010
Management Fees	108,043		56,690	51,353
Taxes other than Income	1,406		738	668
Depreciation	167,814		136,382	31,432
Miscellaneous	14,743		7,736	7,007
Total Operating and Maintenance	\$1,617,004	\$828,388	\$462,118	\$326,498
Debt				
Annual Debt Service	214,172		178,919	35,253
Debt Service Coverage	42,834		35,784	7,050
Total Expenses	\$1,874,010	\$828,388	\$676,821	\$368,801
Less Other Income	(65,399)			(65,399)
Revenue Required from Rates	\$1,808,611	\$828,388	\$676,821	\$303,402

ALLOCATION OF EXPENSES TO WHOLESale

	Total	Transmission and Distribution	Power and Chemicals	Customer
Operating and Maintenance	\$1,449,190	\$325,736	\$828,388	\$295,066
Depreciation	167,814	136,382		31,432
Debt Expense	257,006	214,703		42,303
Total Expense	\$1,874,010	\$676,821	\$828,388	\$368,801
Other Revenue	(65,399)			(65,399)
Total Revenue Requirement	\$1,808,611	\$676,821	\$828,388	\$303,402
Wholesale Allocation Factors		0.0218	0.0425	0
Allocated to Wholesale	<b>\$42,335</b>	\$7,111	\$35,224	\$ -
Amount to Retail	\$1,766,308	\$669,742	\$793,164	\$303,402
Wholesale Rate	Gallons			
Cumberland Falls Hwy. WD	11,686,000			
Total Expenses / Sales	\$3.62269			
(11,686,000/1000) * \$3.62	\$42,303			

NOTE: The current wholesale rate is \$1.78. In order to minimize the increase to the wholesale customer, West Laurel had not allocated depreciation and debt to Cumberland Falls Hwy. WD in this filing. If debt and depreciation were allocated to the wholesale customer the rate would be \$4.28 per 1,000 gallons. Staff concurs it would be unfair to the customers of Cumberland Falls Hwy. WD to increase the wholesale rate by this amount in one filing.

ALLOCATION OF COSTS TO RETAIL CUSTOMERS

	Total	1,000	2,000	2,000	5,000	10,000
Actual Usage	253,443.1	49,172.7	81,568.7	50,406.9	42,813.2	36,470.4
Percentage		0.1940	0.3218	0.1989	0.1689	0.1439
		2.00	1.85	1.65	1.35	1.00
Weighted Sales	426,687.1	98,345.4	150,902.1	83,171.4	57,797.8	36,470.4
Percentage		0.2305	0.3537	0.1949	0.1355	0.0855
Commodity	\$793,164	\$153,889	\$255,274	\$157,751	\$133,986	\$114,136
Demand	669,742	154,366	236,861	130,549	90,721	57,245
Subtotal	\$1,462,906	\$308,255	\$492,135	\$288,300	\$224,708	\$171,381
Customer Chg. (55,841 bills)	303,402	303,402				
Total Expenses	\$1,766,308	\$611,657	\$492,135	\$288,300	\$224,708	\$171,381
Rate per 1,000		\$10.95	\$6.03	\$5.72	\$5.25	\$4.70
Cost Based Rates		\$10.95	\$6.03	\$5.72	\$5.25	\$4.70
Current Rates		8.29	3.99	3.69	3.12	2.44
% Increase		32%	51%	55%	68%	93%
Requested Rates		10.90	6.22	5.92	5.35	4.33
% Increase		31%	56%	60%	71%	77%

BILLING ANALYSIS FOR YEAR ENDING DEC. 2004

5/8 INCH CONNECTIONS

STAFF RECOMMENDED RATES

USAGE TABLE

	Bills	Gallons	1,000	2,000	2,000	5,000	10,000
First 1,000	8,633	2,339.9	2,339.9				
Next 1,000	13,978	29,745.6	13,978.0	15,767.6			
Next 2,000	15,452	61,714.9	15,452.0	30,904.0	15,358.9		
Next 5,000	13,802	93,509.3	13,802.0	27,604.0	27,604.0	24,499.3	
Over 10,000	3,590	61,785.2	3,590.0	7,180.0	7,180.0	17,950.0	25,885.2
Total	55,455	249,094.9	49,161.9	81,455.6	50,142.9	42,449.3	25,885.2

REVENUE TABLE

	Bills	Gallons	Rate	Revenue	Current	% Inc.
First 1,000	55,455	49,161.9	\$10.90	\$604,459.50	8.29	0.31
Next 2,000		81,455.6	6.03	491,177.27	3.99	0.51
Next 2,000		50,142.9	5.67	284,310.24	3.69	0.54
Next 5,000		42,449.3	5.22	221,585.35	3.12	0.67
Over 10,000		25,885.2	4.05	104,835.06	2.44	0.66
Total 5/8 inch		249,094.9		\$1,706,367		
1 Inch				10,582		
2 Inch				44,092		
3 Inch				5,446		
Wholesale				42,335		
Other Income				65,399		
Total Income				\$1,874,221		

NOTE: The District has requested that Cost of Service Rates not be fully implemented so as to minimize the impact on the larger users. Staff concurs with this request.

1 INCH CONNECTIONS  
STAFF RECOMMENDED RATES  
USAGE TABLE

	Bills	Gallons	5,000	5,000	10,000
First 5,000	127	338.6	338.6		
Next 5,000	24	156.2	120.0	36.2	
Over 10,000	38	1,100.7	190.0	190.0	720.7
Total	189	1,595.5	648.6	226.2	720.7

REVENUE TABLE

	Bills	Gallons	Rate	Revenue
First 5,000	189	648.6	\$34.30	\$6,483
Next 5,000		226.2	5.22	1,181
Over 10,000		720.7	4.05	2,919
Total		1,595.5		\$10,582

BILLING ANALYSIS FOR YEAR ENDING DEC. 2004

2 INCH CONNECTIONS

STAFF RECOMMENDED RATES

USAGE TABLE

	Bills	Gallons	20,000	20,000
First 20,000	63	227.2	227.2	
Over 20,000	98	8,835.8	1,960.0	6,875.8
Total	161	9,063.0	2,187.2	6,875.8

REVENUE TABLE

	Bills	Gallons	Rate	Revenue
First 20,000	161	2,187.2	\$100.90	\$16,245
Over 20,000		6,875.8	4.05	27,847
Total		9,063.0		\$44,092

BILLING ANALYSIS FOR YEAR ENDING DEC. 2004

3 INCH CONNECTIONS

STAFF RECOMMENDED RATES

USAGE TABLE

	Bills	Gallons	30,000	30,000
First 30,000	27	321.0	321.0	
Over 30,000	9	357.8	270.0	87.8
Total	36	678.8	591.0	87.8

REVENUE TABLE

	Bills	Gallons	Rate	Revenue
First 30,000	36	591.0	\$141.40	\$5,090
Over 30,000		87.8	4.05	356
Total		678.8		\$5,446

Gallon Usage	Comparison of Rates			
	Current Rates	Staff Rec Rates	Increase	Percentage
1,000	\$8.29	\$10.90	\$2.61	31.5%
2,000	12.28	16.93	4.65	37.9%
3,000	16.27	22.96	6.69	41.1%
4,000	19.96	28.63	8.67	43.4%
5,000	23.65	34.30	10.65	45.0%
6,000	26.77	39.52	12.75	47.6%
7,000	29.89	44.74	14.85	49.7%
8,000	33.01	49.96	16.95	51.3%
9,000	36.13	55.18	19.05	52.7%
10,000	39.25	60.40	21.15	53.9%
20,000	63.65	100.90	37.25	58.5%
25,000	75.85	121.15	45.30	59.7%
50,000	136.85	222.40	85.55	62.5%
75,000	197.85	323.65	125.80	63.6%
100,000	258.85	424.90	166.05	64.1%
200,000	515.05	850.15	335.10	65.1%
300,000	746.85	1,234.90	488.05	65.3%
400,000	990.85	1,639.90	649.05	65.5%
500,000	1,234.85	2,044.90	810.05	65.6%
1,000,000	2,454.85	4,069.90	1,615.05	65.8%
2,500,000	6,114.85	10,144.90	4,030.05	65.9%
5,000,000	12,214.85	20,269.90	8,055.05	65.9%
10,000,000	24,418.84	40,525.93	16,107.09	66.0%

Block Usage	Current Rates	Staff Rec Rates
First 1,000 gallons	\$8.29	\$10.90
Next 2,000 gallons	3.99	6.03
Next 2,000 gallons	3.69	5.67
Next 5,000 gallons	3.12	5.22
Over 10,000 gallons	2.44	4.05

**Effect on Customer Average Bill - 5,000 Gallons Usage**

Current Rates	Staff Rec Rates	Amount Increase	% Increase
<b>\$23.65</b>	<b>\$34.30</b>	<b>\$10.65</b>	<b>45.00%</b>